

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 518 - SB 650

March 19, 2009

SUMMARY OF BILL: Requires the Department of Economic and Community Development (ECD) to create and administer a pool of funds to be used for establishing a surety bond guarantee program for small and emerging contractors designated as small businesses as defined by the Tennessee Minority Owned, Woman Owned and Small Business Procurement and Contracting Act. Authorizes these funds to be expended to guarantee bid, payment, and performance bonds on contracts up to \$1,000,000 in value. Requires any considered funds be subject to annual appropriations in the general appropriations act.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$64,200

Other Fiscal Impact – An appropriation of state funds equal to an amount between \$1,000,000 and \$3,000,000 for establishing a fund necessary for the adequate administration of a surety bond program.

Assumptions:

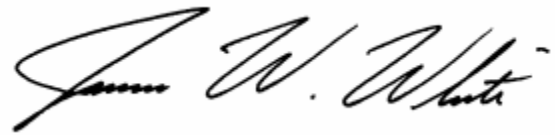
- According to ECD, an appropriation of state funds would be required to adequately administer a surety bond program.
- Given that this bill authorizes surety bonds up to \$1,000,000, an appropriation of at least \$1,000,000 would be required. However, if one contractor requested a \$1,000,000 bond, the program would not be able to issue any other bonds.
- ECD indicates that to sufficiently fund such a program, an appropriation of \$3,000,000 should be made for such purposes. This would allow for the possibility of one \$1,000,000 surety bond and several other surety bonds of smaller amounts.
- ECD would require one additional Administrative Services Assistant 4 position to administer this program. The associated increase to

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recurring state expenditures is estimated to be \$64,200 per year (\$39,700 salary, \$19,500 benefits, \$5,000 other).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/rnc